

The Michigan Horse Racing Industry



An Economic Comparison

Prepared by



Annette M. Bacola, Racing Commissioner

Table of Contents

<i>Introduction.....</i>	<i>1</i>
<i>History.....</i>	<i>5</i>
<i>Economic History.....</i>	<i>14</i>
<i>Current Financial Data.....</i>	<i>15</i>
<i>National Standings and Comparisons.....</i>	<i>17</i>
<i>Wagering Enhancements for Viability.....</i>	<i>33</i>
<i>Growth and Viability.....</i>	<i>45</i>
<i>The Voice of the Industry.....</i>	<i>47</i>
<i>Executive Summary.....</i>	<i>48</i>
<i>Glossary of Racing Terms.....</i>	<i>49</i>

**The Michigan Office of Racing Commissioner
Racing Commissioner**



Annette M. Bacola



James J. Bowes

Deputy Commissioners



Steven R. Jenkins

The State of Michigan Office of Racing Commissioner is charged with protecting the integrity of horse racing through the daily performance of regulatory functions.

The Office of Racing Commissioner (ORC) is an independent agency within the Michigan Department of Agriculture that regulates pari-mutuel horse racing in Michigan in accordance with the Horse Racing Law of 1995, as amended, and the rules of the Racing Commissioner.

The Racing Commissioner, appointed by the Governor for a four-year term, prescribes rules, regulations and policies under which all pari-mutuel horse race meets are conducted within the state. Annette M. Bacola was reappointed Michigan's Racing Commissioner in January of 2001 for the current term, which extends through December 2004.

The ORC allocates race dates and issues track, race meeting and occupational licenses for seven tracks in the state. In addition, the ORC collects license and track revenues, appoints stewards and veterinarians to represent the state, approves track-appointed officials, and monitors the daily conduct of horse racing and pari-mutuel gaming. The ORC also conducts equine and human drug-testing programs and investigates any irregularities in racing that may lead to formal hearings and sanctions.

The Michigan Office of Racing Commissioner

Administrative Liaison Steward

Jeff Dye

Administrative Support

Celine Rutkowski, Sharon Caldwell

Assistant Attorney General

Don McGehee

Collection Technician Unit

Mark Babcock, Judith Brown, Mary Ford

Tracey Freeman, Patrice Gross, Reva Kochan

Dawn Loos, Shelly Mershon, Clare Meshell, Miguel Pantoja

Rose Pileggi, Douglas Randall, Sharon Randall, Melvin Vinson

Andrea Mata, Linda Waller, Kyle Waller

Paula Weaver, Leslie Daniels-Yoder

Director of Racing Policy

Sara Basso

Executive Assistant

Connie Kowalski

Financial Analyst

Cheryl Janssen

Financial Support

Joyce Potter

Information Manager

Dominic Perrone

Investigative Staff

Richard Jewell, Brian Brown, Jung Ja Park

Licensing Staff

Kathy Haven, Gladys Haywar, Gwen Marshall

Barbara Smith, Janet Taylor, Greg Wade

Licensing Supervisor

Judy Campbell

Instate Licensing Supervisor

Sherry Benton

Special Projects Administrator

Kenn Christopher

State Clocker

Richard Porter

State Police Detective Sergeant

Robin Coppens

State Stewards

Louis Alosso, Ron Campbell, Tammy Erskine, Thomas Griffin

Pat Hall, Dennis Haskell, Donald Johnson, Bud Martin, Daniel O'Hare

Eric Perttunen, Kevin Scheen, John Wilson

State Veterinarians

Dr. Nancy Edwards, Dr. William Frank, Dr. Ronda Gowell, Dr. Kurt Kiessling

Dr. William Pals, Dr. Raymond Viele, Dr. Peggy Villanueva, Dr. Frank Williamson

Systems Administrator

Jeff Hayton

The Office of Racing Commissioner Advisory Board

Established in October 1999, the ORC Advisory Board was created to facilitate a direct collaboration between the industry and the ORC and to develop recommendations on matters pertaining to the racing industry's health and growth.

ORC Advisory Board Members as of July 2002:

Donald Ryker, D.V.M., President
Equine Practitioners Board

Mr. Chris Dragone, General Manager
Great Lakes Downs

Mr. Chuck Ludlow, President
Great Lakes Quarter Horse Association

Mr. Larry DeVries, Board Member
Great Lakes Quarter Horse Association

Mr. Ken Marshall, Asst. General Manager
Hazel Park Harness Raceway

Mr. Gary Tinkle, Executive Director
Horsemen's Benevolent and
Protective Association

Mr. Dan Rakieten, General Manager
Jackson Harness Raceway

Pamela Loomis, D.V.M.
Michigan Equine Practitioners Association

Mrs. Paula Maynard, President
Michigan Harness Horsemen's Association

Mr. Larry Mallar, General Manager
Michigan Harness Horsemen's Association

Mr. Jerry Chapman, President
Michigan Standardbred Breeders Association

Mr. Ken Schneider, Executive Director
Michigan Thoroughbred Owners and
Breeders Association

Mr. and Mrs. Chuck Womack
Michigan Thoroughbred Owners and
Breeders Association

Mr. Walter Bay, President
Mount Pleasant Meadows

Mr. Craig Close, Treasurer
Mount Pleasant Meadows

Mr. Lou Carlo, Director of Operations
Northville Downs

Mr. David Karoub, General Manager
Northville Racing Corp.

Mr. Chuck Asiala, General Manager
Saginaw Harness Raceway

Mr. Tom Lenhard, Executive Board Member
Service Employees International Union

Mr. Chris Locking, General Manager
Sports Creek Raceway

Michigan Racetracks

Michigan is currently home to seven licensed pari-mutuel racetracks. The information below represents the 2002 live racing schedule.

Thoroughbred Racing

Great Lakes Downs 4800 Harvey Street Muskegon, MI 49145 231-799-2400	April 29 through October 29	118 Dates
--	-----------------------------	-----------

Mixed Breed Racing

Mount Pleasant Meadows 500 N. Mission Road Mt. Pleasant, MI 48858 989-773-0012	May 4 through September 28	34 Dates
--	----------------------------	----------

Harness Racing

Hazel Park Harness Raceway 1650 East Ten Mile Hazel Park, MI 48030 248-398-1000	April 1 through October 12	140 Dates
---	----------------------------	-----------

Jackson Harness Raceway 200 W. Ganson - Box 881 Jackson, MI 49204 517-788-4500	April 17 through June 8	24 Dates
--	-------------------------	----------

Northville Downs 301 South Center Street Northville, MI 48167 248-349-1000	January 3 through March 30 October 14 through Dec. 28	70 Dates 54 Dates
--	--	----------------------

Saginaw Harness Raceway 2701 E. Genesee Street Saginaw, MI 48601 989-755-3451	June 14 through August 25	33 Dates
---	---------------------------	----------

Sports Creek Raceway 4290 Morrish Road Swartz Creek, MI 48473 810-635-3333	January 2 through February 10 August 31 through December 31	24 Dates 70 Dates
--	--	----------------------

Harness Total: 415 Dates

A History of Tradition

Horse racing, the Sport of Kings, is the oldest organized professional sport in America. In the Great Lakes Region, the sport has been around since the early 18th century. During this time, Michigan was a vast territory that expanded as far west as modern day Iowa and horses were the primary mode of transportation.

Detroit

Some of the earliest races took place in the streets of Detroit. Stories tell of colts and fillies pacing down Woodward Avenue and other popular locations of early Detroit. Records from St. Clair County indicate that harness races took place on the beaches of Lake St. Clair during the summer months and on the frozen lake surface during the winter. As time passed, the sport of horse racing moved towards more sophisticated venues. Racing often took place on oval tracks located near the heart of cities, towns, and villages. These early racetracks, much like today's county fair tracks, represented the cultural center of a community. They were a gathering place for social and economic interaction.

Kalamazoo

In 1837, Michigan entered statehood and racing interests in Kalamazoo formed a "Jockey Club." In the year to follow, an organization called "The Kalamazoo Town Agricultural Society for Improving the Breed of Horses" was formed and a track was laid out. Despite this being a time of sickness and hard times for Kalamazoo, Axtell Track became a home for some of the best Standardbreds in the United States, hosting such events as the Grand Circuit. Race meetings were held at the Axtell Track, located on the southwest side of the village, from 1837 through 1858. In 1859, a newly constructed track brought national attention to Kalamazoo as a horse by the name of *Flora Temple* set a world's record for trotting the mile under 2:20. As a result, famous lithographers Currier and Ives produced an engraving depicting *Flora Temple* accomplishing this legendary feat. The following is a historical account from the morning of the race day:

At dawn on the day of the race, great crowds began to pour into town, afoot, by horseback and wagon. Railroad trains brought load after load. During the forenoon, throngs on the road passed without cessation and besieged the gate for admission. The stand, which holds three thousand people, was filled two hours before the race.¹

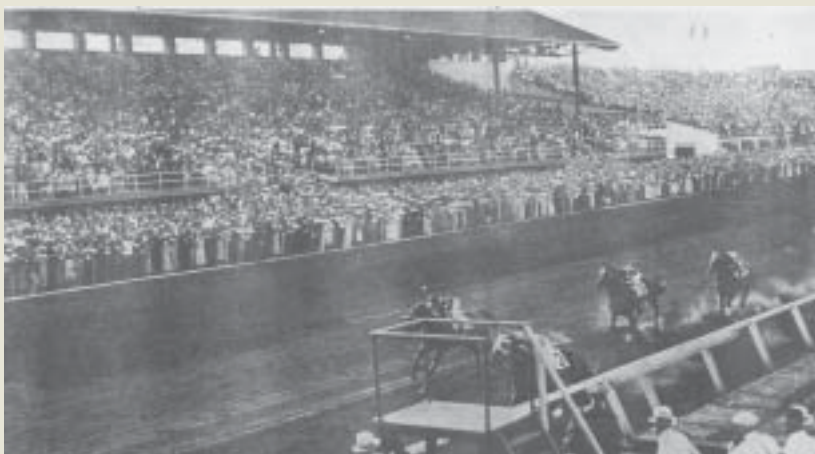
To this day, a racing monument stands on Race Street as a symbol of the rich heritage that horse racing brought to Kalamazoo.

20th Century

By the late 19th century, horse racing had taken off in many areas of the state. There were harness tracks in Allegan County, Hillsdale County, Fayette, etc. and flat racing maintained a high level of popularity with tracks in Highland Park etc. This growth continued well into the 20th century when the country found itself in the throes of the Great Depression. Due to the economic climate of the 1930's, states that had previously prohibited pari-mutuel racing reconsidered legalization as a way to provide jobs, business opportunities and revenue. As a result, the Horse Racing Act of 1933 was enacted, marking a profound change to the industry that allowed the public to wager on horse races in Michigan.

¹Horses and Horse Racing in Kalamazoo by Leon Miller

The following is a decade by decade account of pari-mutuel racing in Michigan.



Fans Pack Every Inch of Stands to Witness Second Day's Race Card at Fair Grounds Track in 1933

1930's

They're off! Horse racing, with pari-mutuel wagering, starts in Michigan.

- Michigan and a number of other states, including California, New Mexico, Ohio, Oregon, Texas, Washington, and West Virginia adopt pari-mutuel horse racing in 1933, as a means to raise revenues and create jobs.
- On June 28, 1933, Governor William A. Comstock signs the law legalizing horse racing with wagering.
- On September 2, 1933, the Governor and over 20,000 racing fans are at opening day at the Detroit Fair Grounds track located at the State Fairgrounds.
- *Mayco* wins the first race and pari-mutuel horse racing in Michigan is made official when the 10-1 longshot pays \$22 to winning ticket holders.
- At the close of the 31 day meet in 1933, over 100 thousand fans had bet more than \$3.5 million on the Thoroughbred races at the Detroit Fair Grounds.
- Through the 1930's the Detroit Fair Grounds track was the only show in town when it came to holding extended race meetings. That situation was headed for a change in the 1940's.
- The great *Seabiscuit* turned his career around at the Detroit Fair Grounds. With a new owner, trainer, and jockey he won 2 Detroit handicaps. He went on to beat *War Admiral* in a two-horse match race, called by many "the greatest race ever." *Seabiscuit's* victory over *War Admiral* made the horse a national hero, regularly receiving more press coverage than the President.



*The Governor William A. Comstock and Racing Commissioner Mark R.
Hanna Drop in on Get-Away Day*

1940's

Three new tracks and the start of pari-mutuel Harness racing.

- The Michigan Mile, which would become Michigan's premier Thoroughbred race, had a humble debut on May 25, 1949, as a one-mile turf race with a modest total purse of \$7,500 at the Detroit Fair Grounds track.
- Northville Downs opens under the lights, in September 1944, as the first Michigan night Harness racing track and one of the first such tracks in the U.S.
- Jackson Harness Raceway opens in 1948 and in 1949 presents the first extended night Harness racing outside the Detroit area.
- The Hazel Park Race Track opens in 1949 as the first 5/8th mile Thoroughbred track in the U.S. This new size track came about when the original founders' attempt to build an auto race track foundered and was taken over by race horse owners who turned the ongoing construction into a horse track.
- Pari-mutuel horse racing ends at the Detroit Fair Grounds track after the 1949 Thoroughbred season. The Michigan Racing Association, new track operators for the 1949 Detroit Thoroughbred meet, pledge to build a new track in the Detroit area as the State Fairgrounds track is closed after 17 years of operation.

1950's

A new track creates a new city and fans enjoy racing at four Michigan tracks.

- The Detroit Race Course (DRC) opens in 1950 and Livonia Township becomes the City of Livonia to qualify for revenue from the new track.
- Also in 1950, the DRC becomes Michigan's first track to hold extended race meets for both racing breeds, Thoroughbred - 60 days and Harness - 39 nights.
- Hazel Park begins running two breeds in 1953, with a new 33 night Harness meet added to its 57 days of Thoroughbred racing.
- The Racing Law of 1959 replaces the original 1933 Racing Act, limiting the Detroit area to the three tracks operating in Northville, Hazel Park, and Livonia. This limit would remain until 1995.



Aerial view of Ladbroke Detroit Race Course



Harness racing packed the stands in the 1960's

1960's

Thoroughbred and Harness racing thrive at Michigan pari-mutuel tracks.

The pari-mutuel horse racing industry grows steadily since 1933 and by the end of the 1960's there are:

- Four tracks compared to one – up 300%
- 415 racing days compared to 31 – up 1,240%
- 3 million in yearly attendance compared to 101 thousand – up 2,900%
- \$260 million wagered yearly compared to \$3.5 million – up 7,300%
- \$20 million in State revenue compared to \$123 thousand – up 16,000%
- According to an annual national poll of attendance at different sporting events, horse racing remained the No. 1 spectator sport in the country.
- Michigan-bred Thoroughbred *Bass Clef* finishes 3rd in the 1961 Kentucky Derby, the best finish ever by a Michigan-bred horse in that classic.

1970's

A new racing breed, a new track, new women, and new wagering competition.

- Total attendance of over 3.9 million fans for 1971 sets the record for Michigan horse racing, with 60 more Thoroughbred dates and 78 more Harness dates.
- The Hazel Park Race Track is sold in November 1971, and the licenses for the track and the 1972 race meeting are transferred to the new owners.
- In May 1972, voters allow a state lottery which starts in November and pari-mutuel horse racing loses its monopoly on legal wagering, held since 1933.
- *Bea Farber* wins the 1973 Northville Downs driving title, becoming the first woman to accomplish that at any North American track.
- *Secretariat* captures worldwide attention for horse racing in June of 1973 by winning the elusive Triple Crown, unclaimed for 25 years.
- *Seattle Slew* wins the 'Crown' in 1977
- *Affirmed*, ridden by 18 year-old Steve Cauthen, wins the 'Crown' in 1978.
- No horse wins the Triple Crown again in the 20th century.
- Sunday racing is authorized in 1974.
- Glendale Downs, near Hillsdale, opens in 1977, after Quarter Horse wagering is legalized in 1976. It's the first new pari-mutuel track to be licensed since 1950.
- Jockey Steve Cauthen rides at Hazel Park on Sunday, July 10, 1977, drawing over 18,000 fans causing the only \$2 million betting day in the track's history.
- Popular woman jockey Mary Bacon rides in Michigan and poses for Playboy. She'd once won a race riding a pregnant mare while she too was pregnant.

1980's

A decade of expansion – new law, new race tracks, and more wagering competition.

- Saginaw Valley Downs opens June 16, 1980, and becomes the first new Harness track to open since 1950.
- The Racing Law of 1980 is signed by Governor William G. Milliken on December 12, 1980, with immediate effect. Tracks make changes that day.
- Michigan owned and bred *Shiaway St. Pat* wins the million-dollar Hambletonian race in 1981. The 'Hambo' is the first leg of the U.S. Trotting Triple Crown.
- The first Governor's Conference on the Michigan Horse Industry is held in June of 1982. The industry is recognized as an important part of agriculture.
- The 50th Anniversary of Michigan pari-mutuel racing is celebrated on September 10, 1983, and Horse of the Year awards are established.
- The Detroit Race Course is sold to Ladbroke of England and in 1985 becomes an all Thoroughbred track and Hazel Park becomes all Harness.
- Mount Pleasant Meadows track opens for mixed breed racing in June 1985, after Glendale Downs cannot open to use its 1985 dates.
- Sports Creek Raceway, near Flint, is granted a track license and opens for all Harness racing in November 1986 as the first new track built since 1950.
- Wagering competition increases as casinos operated by Michigan Indian tribes open and flourish, especially in the Upper Peninsula.
- Ladbroke DRC holds the state's first simulcast of the 1987 Kentucky Derby and racing fans can legally wager on the race while at the Michigan track.
- Muskegon Race Course opens in May 1989 for an all Harness racing meet. This makes Michigan unique in U.S. racing with two tracks built within 3 years.

1990's

Challenges and changes for Michigan horse racing as the century ends.

- Julie Krone, a Michigan native who rode at the county fairs, becomes the first woman jockey to ride and win one of the Triple Crown Races, the 1993 Belmont Stakes.
- Casino gaming comes to Windsor in 1995 and Detroit area tracks' wagering levels drop approximately 30%.
- Unified as never before, Michigan Racing Industry participants, coordinating with the Office of Racing Commissioner, draft legislation to save their industry.
- The Racing Law of 1995 is passed and signed by Governor Engler, retitling the law and authorizing full-card simulcasting for Michigan tracks.
- The first full-card simulcast occurs on January 30, 1996, at Ladbroke DRC and all Michigan tracks are offering full-card simulcasting by the summer of 1996.
- Total wagering for 1996 increases 50% over 1995 due to full-card simulcasting allowing all Michigan tracks to be open for the entire year.
- Muskegon Race Course closes unexpectedly on May 19, 1997, after running only 6 days of its live Harness racing.
- After 49 years, Ladbroke DRC is sold for land development, conducting its last day of live racing on November 8, 1998, and closes completely at year's end.
- The Muskegon Race Course is bought, rebuilt, renamed Great Lakes Downs, and opened in April 1999, giving the state Thoroughbred industry a place to race.
- As the 20th century closes, Michigan horse racing faces increased competition from the lottery, Detroit casinos, Canadian tracks with slot-machines, and other racing venues.

2000 and beyond

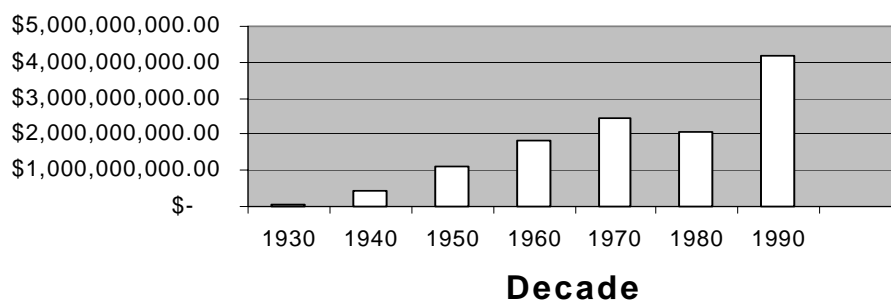
Racing to the future...

- The Michigan Racing Industry begins the 21st century working on the development of ways to stay in business against intense competition and protect the \$1.2 billion in economics of the industry and the more than 42,000 jobs it creates across the state.
- In January 2000, Magna International Corporation is approved to purchase Great Lakes Downs, making it the sixth Thoroughbred track owned by the growing Magna racing subsidiary.
- To raise the profile of racing in Michigan, the Office of Racing Commissioner creates a broad program of activities, awards, and events that increase the public's education and interest in the sport of horse racing.
- In May of 2000, Michigan crowns its first Equestrian Princess, Erin Elizabeth Waddell of South Lyon.
- On August 7, 2000, Michigan's Julie Krone becomes the first woman jockey or trainer ever inducted into the Thoroughbred Hall of Fame. Her record includes:
 - Winningest woman rider of all time with 3,545 wins
 - Riding 20,481 mounts that earned over \$81 million
 - Only woman rider to win a Triple Crown race with *Colonial Affair* in 1993
 - Co-holder for most victories on a card, five, at Saratoga in 1993
- American Paint Horses are authorized to race, and on September 23, 2000, *Cool Colors* becomes the first Paint to win a race at Mount Pleasant Meadows.
- From its beginning in September 1933 through the year 2000, the Michigan pari-mutuel horse racing industry has:
 - Raced 40,644 dates
 - Attracted 144,035,191 fans
 - Wagered over \$12.5 Billion
 - Generated \$896 Million in revenue

Economic History by Decade

DECADE	DAYS RACED	ATTENDANCE	AMOUNT WAGERED
1930s	481	2,136,066	\$63,194,710
1940s	1,268	10,620,052	\$429,830,725
1950s	2,583	19,965,803	\$1,103,402,144
1960s	5,998	26,475,465	\$1,833,571,453
1970s	5,998	35,089,931	\$2,446,634,561
1980s	7,551	26,268,821	\$2,054,502,092
*1990s	14,457	21,929,645	\$4,182,554,150
2000	2,308	1,549,408	\$399,315,679

History of Pari-Mutuel Wagering in Michigan



Source: Office of Racing Commissioner 2000 Annual Report

*Full-card simulcasting began with the enactment of the Horse Racing Law of 1995.

Gaming Overview

Today, the Michigan gaming industry is comprised of private casino gaming, tribal gaming, a state lottery, charitable gaming and horse racing. Michigan first legalized gaming in 1933 when pari-mutuel horse racing was legislatively enacted. It was not until 1972 that Michigan adopted a state lottery, its second form of legalized gambling. Tribal gaming emerged on the scene in the late 1980s. Currently the tribal gaming industry consists of eighteen tribal casinos.

Nontribal casino gaming was legalized in Michigan in November 1996, with the passage of a voter referendum, Proposal E. Proposal E enacted the Michigan Gaming Control and Revenue Act, and authorized up to three casinos to be built in the City of Detroit. MGM Grand Detroit Casino was the first of the three Detroit casinos to open on July 29, 1999. The second casino, MotorCity Casino, opened on December 19, 1999. The third and final Detroit casino, Greektown, opened on November 10, 2000.

7-Year Synopsis of Horse Racing

1995 - The Horse Racing Law of 1995 restructured the statutory foundation on which the Michigan horse racing industry stands. The enactment of the law accomplished three main objectives:

- 1) Authorized full-card simulcasting
- 2) Abolished the wagering tax on live racing
- 3) Provided funding to the Agriculture Equine Fund

1996 - Powered by the additional simulcast revenue, the total pari-mutuel wagering rose over 50% in 1996. Live racing, however, continued to decline by 48.9%.

1997 - Total pari-mutuel wagering reached an all-time high in 1997 as the public wagered over \$474 million at Michigan tracks, nearly 65% of the wagering placed on simulcast races.

1998 - Total wagering declined 2% in 1998.

1999 - In 1999, Michigan's largest racetrack, Ladbroke DRC, closed its doors. Subsequently, total wagering declined 10.2%.

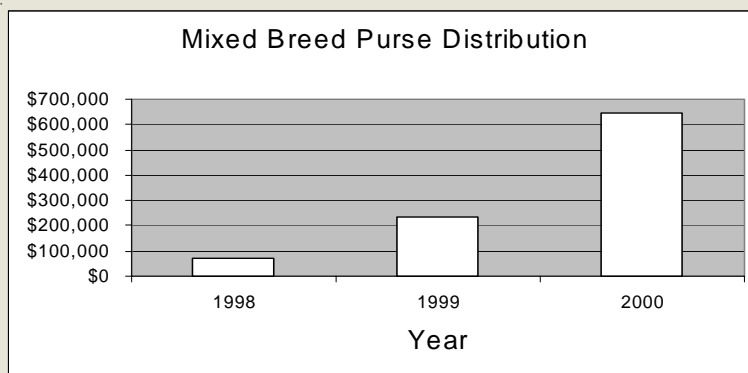
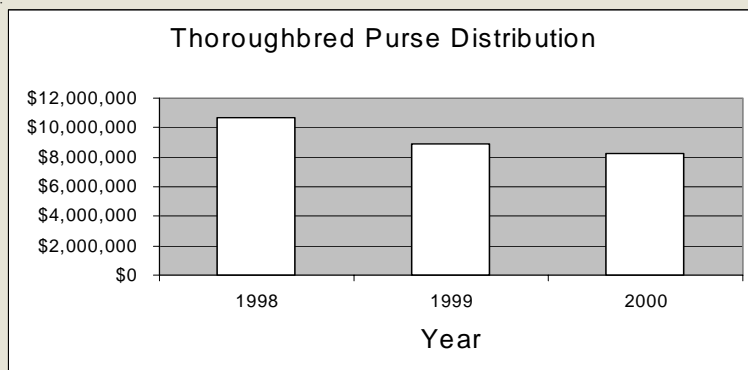
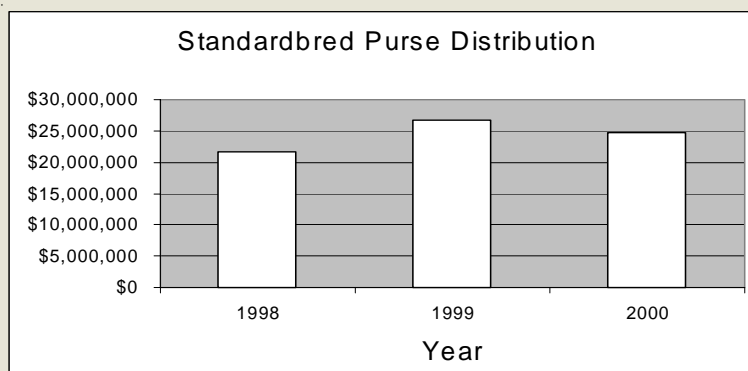
2000 - Overall revenue from horse racing in Michigan weathered a 4% decline during 2000, despite increased competition for the gaming dollar from Tribal and Detroit casinos.

2001 - Total wagering was \$374.5 million, a 6% decline compared to the previous year.

Purse Pool in Michigan

The purse pool provides a financial incentive for racing interests in the state as they are distributed to owners, trainers, and breeders. These incentives help grow the number of Michigan-bred horses and improve the overall quality of the racing breeds.

The following tables represent the purse pool distributions in Michigan.



Source: Office of Racing Commissioner Annual Reports

National Standings & Comparisons

The following page highlights 41 horse racing jurisdictions in the United States and Canada. These jurisdictions, made up of 35 states and 6 provinces, provide the platform for comparison of this report.

These racing jurisdictions represent a wide variety of entertainment options for racing enthusiasts. The primary types of racing that prevail in each region are composed of three main forms:

Harness racing

One of the more popular forms of racing in America today is Harness racing. Harness racing involves a driver riding in a sulky behind a unique breed of horse known as the Standardbred. These horses, known for their endurance and temperament, are trained to trot or pace under harness for varying distances of the mile.



Thoroughbred racing

The best known form of racing is Thoroughbred racing. Thoroughbred racing involves a jockey on horseback running on turf or dirt ovals. The distances the horse must run range from a half mile to a mile and three quarters. To be considered an official Thoroughbred, a horse's lineage must meet a series of strict requirements tracing back at least a century.

Quarter Horse racing

Quarter Horse racing is conducted in the same fashion as Thoroughbred racing. This type of racing is especially popular in the Southwest United States. The American Quarter Horse is a different type of cross-bred Thoroughbred that is well known for performing with exceptional speed over short distances. In Michigan, Quarter Horse racing falls under Mixed Breed racing because it involves several other breeds such as Arabian, Appaloosa, and American Paint.

States and provinces with live pari-mutuel horse racing in North America.

Figure 1



Source: International Gaming & Wagering Business

United States

Arizona
Arkansas
California
Colorado
Delaware
Florida
Idaho
Illinois
Indiana
Iowa
Kansas

Kentucky

Louisiana
Maine
Maryland
Massachusetts
Michigan
Minnesota
Montana
Nebraska
New Hampshire
New Jersey
New Mexico

New York

North Dakota
Ohio
Oklahoma
Oregon
Pennsylvania
South Dakota
Texas
Virginia
Washington
West Virginia
Wyoming

Canada

Alberta
British Columbia
Manitoba
Ontario
Quebec
Saskatchewan

The list above includes states and provinces where pari-mutuel horse racing is legal *and* operative.

Major U.S. Racetracks

Track Name	Location	New Media Affiliate (1)	Live Racing Days (2)	URL
Albuquerque Downs	Albuquerque, NM	NA	Mar. 25 - June 20	www.nmracing.com/dabq
Aqueduct	Jamaica, NY	TV Games	Jan. 1 - May 7; Oct. 25 - Dec. 31	www.nyrracing.com/aqueduct/index2.html
Arapahoe Park	Aurora, CO	NA	June 2 - August 20	www.wembleyusa.com/arapahoe
Arlington Park	Arlington Heights, IL	TV Games	May 14 - Sep. 30	www.arlington-intl.com
Balmoral Park	Crete, IL	TV Games	Year-Round	www.balmoralpark.com
Bay Meadows	San Mateo, CA	TV Games	Jan. 20 - Mar. 26; Sep. 1 - Nov. 12	www.baymeadows.com
Belmont Park	Elmont, NY	TV Games	July 23; Sep. 8 - Oct. 22	www.nyrracing.com/belmont/index2.html
Beulah Park	Grove City, OH	Track Power; TRN; YouBet.com	Feb. 4 - May 6; Sep. 29 - Dec. 23	www.beulahpark.com
Blue Ribbon	Downs Sallisaw, OK	NA	Fri., Sat., Sun. Year-Round	www.blueribbondowns.net
Calder Race	Course Miami, FL	TV Games	May 23 - January 2	www.CalderRaceCourse.com
Cal-Expo	Sacramento, CA	TRN; YouBet.com	April 7 - July 29	www.capitolracing.com
Canterbury Park	Shakopee, MN	Track Power; TV Games	May 19 - Sep. 4	www.canterburypark.com
Charles Town Races	Charles Town, WV	Track Power; TRN; YouBet.com	Year-Round	www.ctownraces.com
Churchill Downs	Louisville, KY	TV Games	April 29 - July 9; October 29 - November 25	www.churchilldowns.com
Colonial Downs	New Kent, VA	Track Power; TRN; TV Games; YouBet.com	Sep. 4 - Oct. 9	www.colonialdowns.com
Delaware Park	Wilmington, DE	Track Power; TRN; YouBet.com	April 8 - Oct. 29	www.delpark.com
Del Mar	San Diego, CA	TV Games	July 26 - Sep. 13	www.dmtc.com
Delta Downs	Vinton, LA	Track Power; TRN; TV Games; YouBet.com	Jan. 13 - April 9	www.deltadowns.com
Dover Downs	Dover, DE	Track Power; TRN; TV Games; YouBet.com	Nov. 6 - April 26	www.doverdowns.com
Ellis Park	Henderson, KY	TV Games	July 12 - Sep. 5	www.ellisparkracing.com
Emerald Downs	Auburn, WA	TV Games	April 15 - Sep. 11	www.emdowns.com
Evangeline Downs	Lafayette, LA	Track Power; TRN; YouBet.com	Mon., Thurs., Fri., Sat., April 15 - Sep. 4	www.evangelinedowns.com
Fair Grounds	New Orleans, LA	Track Power; TRN; TV Games; YouBet.com	Jan. 1 - Mar. 27; Nov. 23 - Dec. 31	www.figno.com
Fairmount Park	Collinsville, IL	Track Power; TV Games	Jan. 29 - Dec. 31	www.fairmountpark.com
FairPlex Park	Pomona, CA	TV Games	Sep. 14 - Oct. 1	www.fairplex.com
Finger Lakes Racetrack	Farmington, NY	NA	April 1 - Nov. 28	www.fingerlakesracetrack.com
Fonner Park	Grand Island, NE	NA	Feb. 11 - May 13	www.fonnerpark.com
Freehold Raceway	Freehold, NJ	Track Power; TRN; YouBet.com	Jan. 1 - May 29; Aug. 11 - Dec. 31	www.freeholdraceway.com
Garden State Park	Cherry Hill, NJ	Track Power; TRN; YouBet.com	Mar. 24 - May 27; No 2001 Meet.	www.gspark.com/index2.htm
Golden Gate Fields	Albany, CA	TRN; YouBet.com	Mar. 29 - June 18; Nov. 15 - Dec. 24	www.ggfilds.com
Great Lakes Downs	Muskegon, MI	Track Power; TRN; TV Games; YouBet.com	May 5 - Nov. 7	www.greatlakesdowns.com
Gulfstream Park	Hallandale, FL	TV Games	Mar. 24 - May 27	www.gulfstreampark.com
Harrington Raceway	Harrington, DE	TRN; Track Power; TRN; YouBet.com	May 1 - July 6; Sep. 3 - Nov. 1	www.harringtonraceway.com
Hawthorne Race Course	Cicero, IL	TRN; Track Power; YouBet.com	Feb. 19 - Dec. 19	www.hawthornracecourse.com
Hazel Park Raceway	Hazel Park, MI	NA	April 1 - October 12	www.hazelparkraceway.com
Hialeah Park	Hallandale, FL	TRN; YouBet.com	Mar. 17 - May 22	www.hialeahpark.com
Hollywood Park	Inglewood, CA	TV Games April 28 -	July 24; Nov. 8 - Dec. 24	www.hollywoodpark.com
Hoosier Park at Anderson	Anderson, IN	TV Games	April 6 - Aug. 23; Sep. 8 - Dec. 4	www.hoosierpark.com
Horsemen's Park	Omaha, NE	NA	July 21 - 23	www.horsemenspark.com
Keeneland Race Course	Lexington, KY	TV Games; YouBet.com	April 7 - April 28; Oct. 7 - Oct. 28	www.keeneland.com
Kentucky Downs	Franklin, KY	NA	Sep. 18 - Sep. 28	www.kurway.com/kydowns
Ladbroke at the Meadows	Meadow Lands, PA	TRN; YouBet.com	Year-Round	www.ltm.com/meadows/home
Laurel Park	Laurel, MD	TRN; TV Games; YouBet.com	Jan. 1 - Mar. 26; June 20 - Aug. 25; Oct. 11 - Dec. 31	www.MarylandRacing.com
Little Brown Jug	Delaware, OH	Track Power; TRN	Sep. 16 - Sep. 21	www.littlebrownjug.com
Lone Star Park	Grand Prairie, TX	TV Games	April 13 - July 23	www.lonestarpark.com
Los Alamitos	Cypress, CA	TV Games	April 14 - Dec. 17	www.webworldinc.com/la/race/laqhr
Louisiana Downs	Bossier City, LA	Track Power; TRN; TV Games; YouBet.com	June 24 - Nov. 12	www.ladowns.com
Maywood Park	Maywood, IL	TV Games	Year-Round	www.maywoodpark.com
Meadowlands East	Rutherford, NJ	Track Power; TRN; YouBet.com	Sep. 4 - Nov. 18	www.thebigm.com
Monmouth Park	Oceanport, NJ	Track Power; TRN; YouBet.com	May 27 - Sep. 3	www.monmouthpark.com
Monticello Raceway	Monticello, NY	TRN; TV Games	Year-Round	www.monticelloraceway.com
Mountaineer Park	Chester, WV	YouBet.com	Year-Round	www.mtgamimg.com
Northfield Park	Cleveland, OH	Track Power; TRN; TV Games; YouBet.com	Year-Round	www.northfieldpark.com
Northville Downs	Northville, MI	TRN; YouBet.com	Jan. 2 - April 5; Oct. 20 - Dec. 31	www.ustrotting.com/tracks/nor.htm
Oaklawn Park	Hot Springs, AR	TRN; YouBet.com	Feb. 4 - April 15	www.oaklawn.com
Ocean Downs (Bally's)	Ocean City, MD	Track Power; TRN; YouBet.com	June 30 - Sep. 4	www.oceandowns.com
Penn National Race Course	Grantville, PA	Track Power; TRN; YouBet.com	Year-Round	www.pennnational.com
Philadelphia Park	Philadelphia, PA	TRN; YouBet.com	Year-Round	www.phonebet.com
Pimlico Race Course	Pimlico, MD	TRN; TV Games; YouBet.com	Mar. 28 - June 18	www.MarylandRacing.com
Plainridge	Plainville, MA	Track Power; YouBet.com	April 17 - Nov. 11	www.prcharness.com
Pocono Downs	Wilkes-Barre, PA	Track Power; TRN; YouBet.com	April 4 - Nov. 5	www.poconodowns.com
Pompano Park	Pompano Beach, FL	TRN; TV Games; YouBet.com	Closed Aug. and Sep. 2000	www.pompanopark.com
Portland Meadows	Portland, OR	TRN; TV Games	Oct. 14 - April 29 (Following Year)	www.portlandmeadows.com
Prairie Meadows	Altoona, IA	TRN; TV Games	April 21 - July 5; July 17 - Sep. 30	www.prairiemeadows.com
Prescott Downs	Prescott, AZ	NA	May 27 - Sep. 4	www.prescottdowns.com
Remington Park	Oklahoma City, OK	Track Power; YouBet.com	Feb. 5 - Mar. 31; Aug. 5 - Nov. 26	www.remingtonpark.com
Retama Park	Selma, TX	Track Power; TRN; YouBet.com	April 21 - July 4; July 28 - Oct. 29	www.retamapark.com
River Downs	Cincinnati, OH	TRN; TV Games; YouBet.com	April 17 - Sep. 4	www.riverdowns.com
Rockingham Park	Salem, NH	Track Power; TRN; YouBet.com	June 11 - Sep. 24	www.snhcvb.com/members/rocki.htm
Rosecroft Raceway	Ft. Washington, MD	TRN; YouBet.com	Year-Round; Closed Dec. 17 - Jan. 14	www.rosecroft.com
Ruidoso Downs Racetrack	Ruidoso, NM	TV Games	May 26 - Sep. 4	www.nmracing.com/rui
Sam Houston Race Park	Houston, TX	Track Power; TRN; TV Games; YouBet.com	Jan. 1 - April 9; Nov. 2 - Dec. 31	www.shrp.com
Santa Anita Park	Arcadia, CA	Track Power; TRN; YouBet.com	Jan. 1 - April 24; Dec. 26 - Dec. 31	www.santaanita.com
Saratoga	Saratoga Springs, NY	TV Games	July 26 - Sep. 4	www.nyrracing.com/saratoga/index2.html

(1) As of report printing; subject to change.

(2) Race seasons subject to change.

Source: Bear Stearns & Co. Inc.

Live Horse Racing Purse Funding Sources

JURISDICTIONS	Live and/or Simulcast Wagering	Machine Gaming On Track (i.e. Slot/VLT)	Other Gaming Revenue On Track (i.e. Cards)	Machine Gaming Off Track (i.e. Tax or Casino)	Other Gaming Revenue Off Track (i.e. OTB or Dog)
ALABAMA	X				
ARIZONA	X				OTB
ARKANSAS	X				
CALIFORNIA	X			X(Casino)	OTB & Telephone
COLORADO	X				OTB
CONNECTICUT	(Dog Racing)				
DELAWARE	X	X			
FLORIDA	X		X(Card Rooms)		
IDAHO	X				Telephone at Casinos
ILLINOIS	X				
INDIANA	X			X(Admissions)	OTB
IOWA	X	X			
KANSAS	X				
KENTUCKY	X				OTB & Telephone
LOUISIANA	X	X			OTB & Telephone
MAINE	X				
MARYLAND	X				OTB & State Programs
MASSACHUSETTS	X				Telephone & State Programs
MICHIGAN	X			X(2002 Casino)	State Programs
MINNESOTA	X		X(Card Rooms)		
MISSOURI	(No Live Racing)				
MONTANA	X				OTB
NEBRASKA	X				
NEVADA	(No Live Racing)				
NEW HAMPSHIRE	X				
NEW JERSEY	X				OTB & Telephone
NEW MEXICO	X	X			OTB
NEW YORK	X	X			OTB
NORTH DAKOTA	X				
OHIO	X				OTB & Telephone
OKLAHOMA	X			X(Casino)	OTB
OREGON	X				
PENNSYLVANIA	X				OTB & Telephone
RHODE ISLAND	(Dog Racing and Jai Alai only)				
SOUTH DAKOTA	X				OTB
TEXAS	X				Dog Revenue
VERMONT	(No Live Racing)				
VIRGINIA	X				
WASHINGTON	X				
WEST VIRGINIA	X	X			
WISCONSIN	(Dog Racing only)				
WYOMING	X				OTB
<u>CANADA</u>					
ALBERTA	X	X			OTB & Telephone
BR. COLUMBIA	X				OTB & Telephone
MANITOBA	X	X(Indirect)			
ONTARIO	X	X			OTB & Telephone
SASKATCHEWAN	X	X			OTB & Telephone

Source: State Racing Commissions

DAILY AVERAGE PURSE LEADERS

Thoroughbred Racing:

Rank Track	2000 Avg. Purse	1999 Avg. Purses	1999-2000 % Change
1. Keeneland	\$628,271	\$580,927	8.1%
2. Saratoga	\$603,541	\$553,547	9.0%
3. Belmont Park	\$529,186	\$501,554	5.5%
4. Del Mar	\$465,077	\$465,486	-0.1%
5. Santa Anita Park	\$437,781	\$432,068	1.3%
6. Churchill Downs	\$428,313	\$417,562	2.6%
7. Hollywood Park	\$401,612	\$385,922	4.1%
8. Aqueduct	\$369,102	\$349,052	5.7%
9. Gulfstream Park	\$349,167	\$331,889	5.2%
10. Woodbine	\$324,757	\$214,323	51.5%

Source: The Blood-Horse Magazine

Benefits from Alternative Gaming:

One track, #10 Woodbine, has slot machines on site, which benefit purses. Hollywood Park, #7, is adjoined with an independent "card-room-only" casino, but revenues do not benefit purses or the racetrack itself. No other top-ten tracks benefit from alternative gaming.

PURSES IN NORTH AMERICA

Year	Gross Purses	%Change
2000	\$ 1,081,859,753	8.1%
1999	\$ 1,002,232,936	6.3%
1998	\$ 942,466,254	6.3%
1997	\$ 886,527,709	5.0%
1996	\$ 844,258,931	3.6%
1995	\$ 814,611,211	4.1%
1994	\$ 782,439,354	3.7%
1993	\$ 754,790,992	- 2.5%
1992	\$ 774,122,640	6.6%
1991	\$ 769,039,283	- 1.2%
1990	\$ 778,110,785	3.1%
1989	\$ 775,708,145	4.5%
1988	\$ 741,144,444	4.7%

Source: The Blood-Horse Magazine

Thoroughbred Racing

Comparison of purses based on 2000 figures.

<u>State</u>	<u># of Races</u>	<u>Gross Purses</u>	<u>Avg. Purse Per Race</u>	<u>Purse Rank</u>
Arizona	2161	\$ 14,149,037.00	\$ 6,547.45	27
Arkansas	521	\$ 11,199,900.00	\$ 21,496.93	8
California	5080	\$ 159,215,538.00	\$ 31,341.64	4
Colorado	287	\$ 2,361,300.00	\$ 8,227.53	25
Delaware	1327	\$ 36,574,360.00	\$ 27,561.69	5
Florida	3924	\$ 76,000,618.00	\$ 19,368.15	9
Idaho	342	\$ 975,831.00	\$ 2,853.31	31
Illinois	3463	\$ 65,843,316.00	\$ 19,013.37	10
Indiana	693	\$ 10,865,350.00	\$ 15,678.72	12
Iowa	779	\$ 14,356,973.00	\$ 18,430.00	11
Kansas	245	\$ 1,441,369.00	\$ 5,883.14	28
Kentucky	2596	\$ 95,270,347.00	\$ 36,698.90	1
Louisiana	2970	\$ 45,285,273.00	\$ 15,247.57	13
Maine	1326	\$ 12,311,098.00	\$ 9,284.39	21
Maryland	2203	\$ 51,517,992.00	\$ 23,385.38	7
Michigan	1210	\$ 11,299,622.00	\$ 9,338.53	20
Minnesota	526	\$ 5,974,104.00	\$ 11,357.61	16
Montana	138	\$ 284,080.00	\$ 2,058.55	33
Nebraska	902	\$ 4,965,310.00	\$ 5,504.78	29
New Hampshire	713	\$ 6,242,560.00	\$ 8,755.34	22
New Jersey	1555	\$ 38,526,276.00	\$ 24,775.74	6
New Mexico	1299	\$ 12,256,416.00	\$ 9,435.27	19
New York	3972	\$ 131,307,485.00	\$ 33,058.28	3
Ohio	3428	\$ 29,521,142.00	\$ 8,611.77	23
Oklahoma	1305	\$ 11,187,782.00	\$ 8,573.01	24
Oregon	773	\$ 2,430,439.00	\$ 3,144.16	30
Pennsylvania	3886	\$ 43,222,796.00	\$ 11,122.70	17
Texas	2124	\$ 31,132,407.00	\$ 14,657.44	14
Virginia	344	\$ 5,004,610.00	\$ 14,548.28	15
Washington	1251	\$ 10,003,445.00	\$ 7,996.36	26
West Virginia	4056	\$ 44,679,660.00	\$ 11,015.70	18
Wyoming	30	\$ 66,212.00	\$ 2,207.07	32
<u>Ontario-Canada</u>	<u>2514</u>	<u>\$ 89,386,443.00*</u>	<u>\$ 35,555.47*</u>	<u>2</u>
Totals	57,943	\$ 1,074,859,091.00	\$ 18,550.28	

Source: Jockey Club

*Ontario figures are in Canadian Dollars

Standardbred Harness Racing at Midwest Tracks

Comparison of Purses based on 2000 figures.

<u>Track</u>	<u># of Races</u>	<u>Gross Purse</u>	<u>Average Purse</u>	<u>Rank</u>
Balmoral Park-Illinois				1
1999	2301	\$ 20,692,260.00	\$ 8,993.00	
2000	2329	\$ 24,409,485.00	\$ 10,481.00	
Hoosier Park-Indiana				2
1999	1162	\$ 11,963,844.00	\$ 10,296.00	
2000	1177	\$ 10,974,501.00	\$ 9,324.00	
Hazel Park-Michigan				7
1999	1863	\$ 11,163,134.00	\$ 5,992.00	
2000	1761	\$ 10,199,720.00	\$ 5,792.00	
Jackson-Michigan				12
1999	581	\$ 1,383,773.00	\$ 2,382.00	
2000	512	\$ 1,318,909.00	\$ 2,576.00	
Lebanon Raceway-Ohio				11
1999	1291	\$ 3,867,355.00	\$ 2,996.00	
2000	1351	\$ 3,539,512.00	\$ 2,620.00	
London-Ontario				5
1999	1046	\$ 4,764,881.00	\$ 4,555.00 *	
2000	1124	\$ 8,038,660.00	\$ 7,152.00	
Maywood Park-Illinois				3
1999	1648	\$ 12,538,787.00	\$ 7,608.00	
2000	1644	\$ 14,844,255.00	\$ 9,029.00	
Northfield Park-Ohio				8
1999	3133	\$ 15,492,943.00	\$ 4,945.00	
2000	3160	\$ 14,005,292.00	\$ 4,432.00	
Northville Downs-Michigan				9
1999	1278	\$ 4,197,016.00	\$ 3,284.00	
2000	1210	\$ 4,254,794.00	\$ 3,516.00	
Raceway Park-Ohio				13
1999	1536	\$ 4,092,277.00	\$ 2,664.00	
2000	1464	\$ 3,617,204.00	\$ 2,471.00	
Scioto Downs-Ohio				6
1999	1373	\$ 7,773,012.00	\$ 5,661.00	
2000	1306	\$ 8,489,681.00	\$ 6,501.00	
Saginaw-Michigan				10
1999	547	\$ 1,376,782.00	\$ 2,517.00	
2000	518	\$ 1,620,780.00	\$ 3,129.00	
Sports Creek-Michigan				14
1999	1165	\$ 2,331,716.00	\$ 2,001.00	
2000	1070	\$ 2,112,637.00	\$ 1,974.00	
Windsor-Ontario				4
1999	2144	\$ 14,076,545.00	\$ 6,566.00 *	
2000	2059	\$ 14,803,143.00	\$ 7,189.00	

Source: United States Trotting Association

*Ontario figures are in Canadian dollars

Purse Supplements from Video Lottery Terminals (VLTs) and Card Rooms

State	2000 VLT Gross Revenue \$(M)	Statutory Contribution to Purses	
		%	\$(M)
Delaware	485	10.00%	53.36
West Virginia(FY)	368	14.00%	51.65
Rhode Island(FY)	229	4.67%	10.71
Iowa	294	15.00%	44.24
New Mexico(FY)	76	20.00%	15.26
Louisiana(FY)	18	n/a	n/a

	2000 Card Room Gross Revenue \$(M)	Statutory Contribution to Purses	
		%	\$(M)
Florida(E)	4.39	11.25%	0.49
Jai-alai / Greyhounds	3.53	4.00%	0.14
Horse	0.86	41.06%	0.35
Minnesota	11.03	11.82% *	1.30

* Graduated scale - 10% of first \$6 Million, 14% above that level (90% to Purses, 10% to Breeders Fund)

(FY) - Fiscal Year
(E) - CCA Estimate.

Source: Christiansen Capital Advisors, LLC

Purse Comparisons Pre and Post Slots and/or VLTs

<u>State</u>	<u>% to Purse</u>	<u>% to State</u>	<u>% to Track</u>	<u>\$Pre-Purse</u>	<u>\$Post-Purse</u>	<u>% Change</u>
Canada*	10%	80%	10%	\$243,440	\$468,750	92.5%
Delaware	10%	36%	48.6%	\$150,519	\$244,593	62.5%
Iowa	Variable	22%-36%	Variable	\$30,966	\$111,719	261%
Louisiana	18%	18.5%	40%-50%	NA	NA	NA
New Mexico	20%	25%	55%	\$103,233	\$130,466	26.4%
Oregon	NA	NA	NA	NA	NA	NA
W. Virginia	14%	30%	47%	\$22,000	\$135,000	513%

*Woodbine figures

Source: The Thoroughbred Times Magazine

Purse Comparisons Pre and Post Card Rooms

<u>State</u>	<u>% to Purse</u>	<u>% to State</u>	<u>% to Track</u>	<u>\$Pre-Purse</u>	<u>\$Post-Purse</u>	<u>% Change</u>
Minnesota	10%-14%*	NA	NA	\$90,000	\$102,161	13.5%

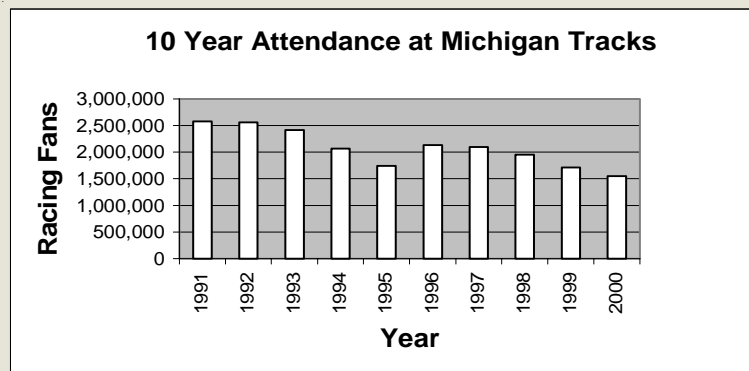
* 10% of first \$6 Million, 14% above that level (90% to Purses, 10% to Breeders Fund)

Source: The Thoroughbred Times Magazine

Racetrack Attendance

Attendance trends are mixed in the United States over the past decade. During the two-year period from 1997 to 1999, live racing attendance declined a minimum of 4.0% in three of the nation's four major racing circuits. Attendance in New York, the only market to experience an increase, rose less than 1.0% in the same period. Meanwhile, attendance has, on average, experienced a 3.0% compound annual growth rate since 1995, according to a Bear Stearns survey of racing's "big days," or major stakes races. The Belmont Stakes, the third leg of the famed Triple Crown, led our sample with more than 10% compound annual growth in attendance since 1995.

In Michigan, live racing attendance declined more than 18% during the same two-year period. Consistent with the survey above, racing's "big days" in Michigan have continued to experience growth. In 2001, attendance for the Kentucky Derby rose 13% and handle followed the trend up by 6%.



Source: Office of Racing Commissioner 2000 Annual Report

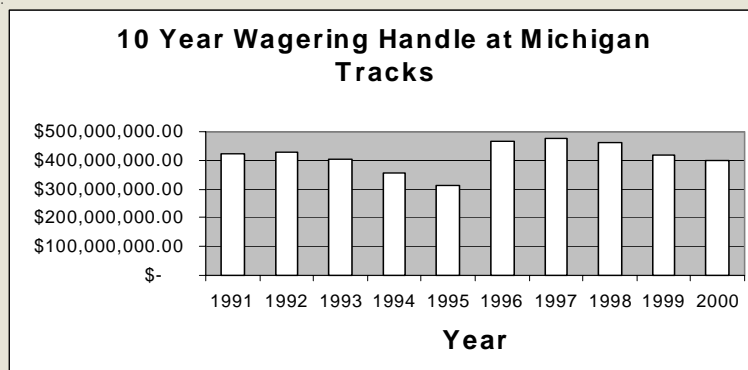
The Horse Racing Law of 1995 had a substantial impact on track attendance driving it upwards 22.7% from 1995 to 1996. This marked the end of a seven year decline and transformed Michigan's tracks into year-round entertainment venues, offering live racing during scheduled periods and simulcast programs during the entire year. The initial impact on attendance has since declined over the past 5 years.

It is important to note that attendance in some jurisdictions reflects paid attendance only, while others include all attendance, whether paid or complimentary. As a result, attendance is no longer the meaningful figure it once was since it is usually reported for live race meetings only, is increasingly inaccurate, and is not reported at all in many jurisdictions including Canada.

Pari-Mutuel Wagering Handle

Pari-mutuel wagering handle is on the rise in the United States. While live, on-track attendance is experiencing consistent declines, pari-mutuel handle continues to increase year after year. Total U.S. pari-mutuel wagering handle for all types of horse racing reached approximately \$15.6 billion during the 1998 racing season. This represents a 2% increase from the previous year, driven mainly by the popularity of off-track wagering.

Pari-mutuel wagering handle is mixed in Michigan. Total pari-mutuel wagering in the state was on the decline in the early 1990's until the introduction of full-card simulcasting in 1996 which caused a 50% increase in wagering handle. Despite the increase in total wagering, live wagering fell almost 50% from 1995 to 1996, suggesting a move away from live wagering toward simulcast wagering.



Source: Office of Racing Commissioner 2000 Annual Report

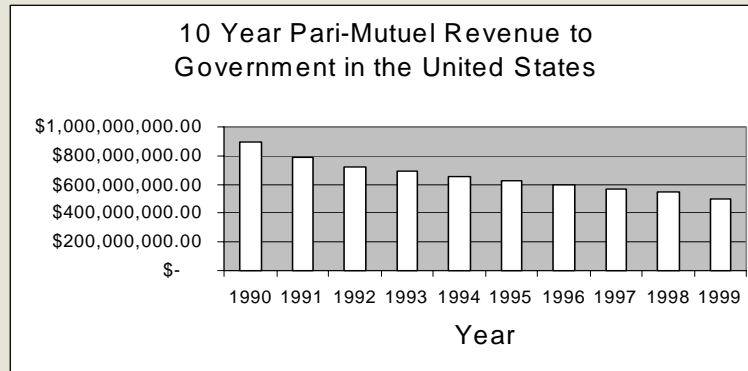
Michigan was ranked 12th in the United States for total horse racing handle in 1999.

- 1st New York
- 2nd California
- 3rd New Jersey
- 4th Pennsylvania
- 5th Illinois
- 6th Florida
- 7th Kentucky
- 8th Ohio
- 9th Maryland
- 10th Nevada
- 11th Texas
- 12th Michigan**

Source: Association of Racing Commissioner International, Inc.

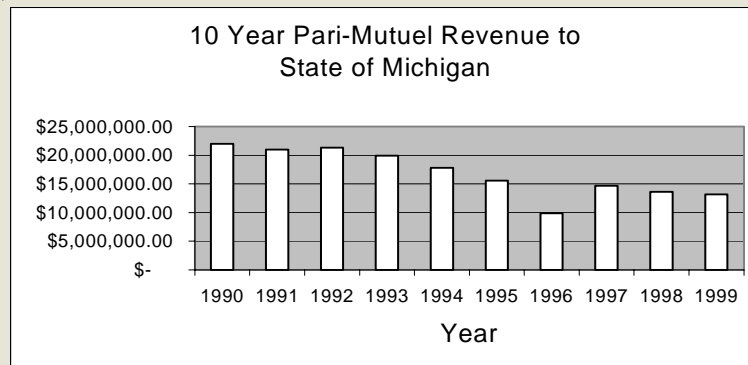
Pari-Mutuel Wagering Revenue

Total pari-mutuel wagering revenue from horse racing to government in the United States dropped below \$500 million in 1999 for the first time since 1967.



Source: Association of Racing Commissioners International, Inc.

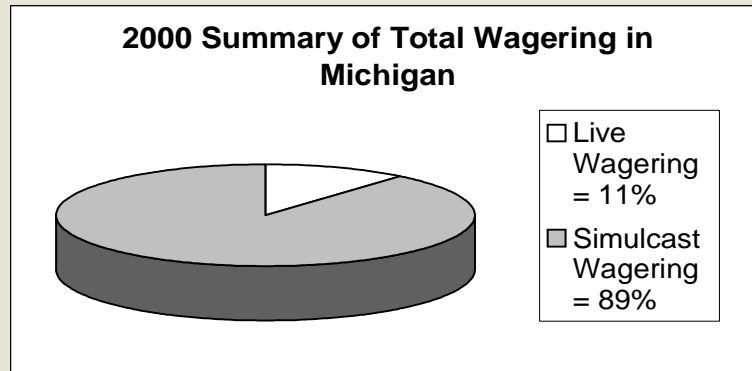
The total pari-mutuel wagering revenue to Michigan was \$13,202,928 in 1999. This represents 2.7% of the total revenue to governments in the United States.



Source: Office of Racing Commissioner 1999 Annual Report

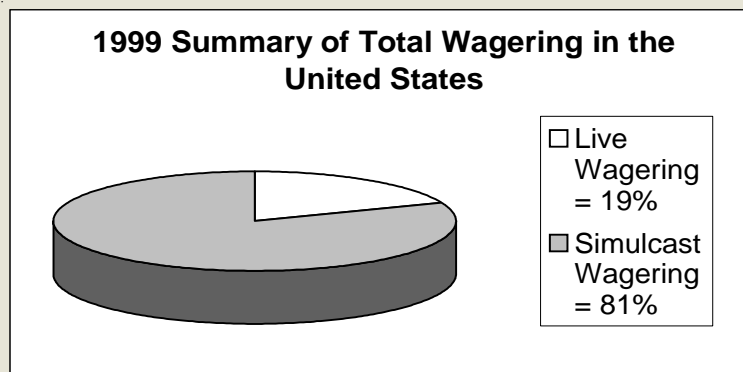
Horse Racing Handle

In 2000, the total wagering handle in Michigan was \$399 million. Total wagering handle for live racing accounted for \$43,924,594 and simulcast wagering totaled \$355,391,085 or 89% of the total wagering handle.



Source: Office of Racing Commissioner 2000 Annual Report

The total wagering handle in the United States was \$15.8 billion in 1999. Total wagering handle for live racing accounted for approximately \$3 billion while Inter-track and simulcast wagering totaled \$12.8 billion or 81% of the total wagering handle. The total wagering handle in Canada was \$1.75 billion in 1999.



Source: Association of Racing Commissioners International, Inc.

**FUNDING SOURCES FOR
REGULATORY AGENCIES IN THE U.S. & CANADA**

ARIZONA – General Fund (88%) and Racing Revenue (12%)

ARKANSAS – General Fund

ALABAMA – Racing Revenue Direct to City or County Racing Commission

CALIFORNIA – Racing Revenue

COLORADO – General Fund

CONNECTICUT – General Fund

DELAWARE – Racing and Gaming Revenue

FLORIDA – Racing Revenue

IDAHO – Racing Revenue

ILLINOIS – Racing Revenue

INDIANA – General Fund

IOWA – General Fund

KANSAS – Racing Revenue

KENTUCKY – Racing Revenue (83%) General Fund (17%)

LOUISIANA – Racing Revenue

MARYLAND – General Fund

MASSACHUSETTS – General Fund

MICHIGAN – Racing Revenue and Gaming Revenue

MINNESOTA – General Fund

MONTANA – Racing Revenue

NEBRASKA – Racing Revenue

NEVADA – Gaming Revenue

NEW HAMPSHIRE – General Fund

NEW JERSEY – Racing Revenue

NEW MEXICO – General Fund

FUNDING SOURCES CONTINUED

NEW YORK – General Fund

NORTH DAKOTA – General Fund (50%) and Racing Revenue (50%)

OHIO – Racing Revenue

OKLAHOMA – General Fund

OREGON – Racing Revenue

PENNSYLVANIA – Racing Revenue

RHODE ISLAND – General Fund

SOUTH DAKOTA – Gaming Revenue

TEXAS – Racing Revenue

VIRGINIA – Racing Revenue

WASHINGTON – Racing Revenue

WEST VIRGINIA – General Fund

WISCONSIN – Racing Revenue

WYOMING – Racing Revenue

CANADA

ALBERTA – Racing Revenue

BRITISH COLUMBIA – Racing Revenue

CANADA (FEDERAL) – Racing Revenue

MANITOBA – Racing Revenue and General Fund (when needed)

ONTARIO – Racing Revenue

SASKATCHEWAN – Racing Revenue

Wagering Enhancements for Viability

Pari-Mutuel Wagering Legality in the U.S.

State	On-Track	Off-Track	Account Wagering	Machines	Card Clubs	Internet Wagering
Alabama	Yes	No	No	No	No	No
Alaska	No	No	No	No	No	No
Arizona	Yes	Yes	No	No	No	No
Arkansas	Yes	No	No	No	No	No
California	Yes	Yes	Yes	No	¹ Yes	No
Colorado	Yes	Yes	No	No	No	No
Connecticut	Yes	Yes	Yes	No	No	Yes
Delaware	Yes	No	No	Yes	No	No
Florida	Yes	No	No	No	Yes	No
Georgia	No	No	No	No	No	No
Hawaii	No	No	No	No	No	No
Idaho	Yes	No	No	No	No	No
Illinois	Yes	Yes	No	No	No	No
Indiana	Yes	Yes	No	No	No	No
Iowa	Yes	Yes	No	Yes	No	No
Kansas	Yes	No	No	No	No	No
Kentucky	Yes	Yes	Yes	No	No	Yes
Louisiana	Yes	Yes	² Yes	Yes	No	Yes
Maine	Yes	Yes	No	No	No	No
Maryland	Yes	Yes	Yes	No	No	Yes
Massachusetts	Yes	No	Yes	No	No	No
Michigan	Yes	No	No	No	No	No
Minnesota	Yes	No	No	No	Yes	No
Mississippi	No	No	No	No	No	No
Missouri	No	No	No	No	No	No
Montana	Yes	Yes	No	Yes	No	No
Nebraska	Yes	No	No	No	No	No
Nevada	Yes	Yes	Yes	No	No	Yes
New Hampshire	Yes	No	Yes	No	No	Yes
New Jersey	Yes	No	No	No	No	No
New Mexico	Yes	No	No	Yes	No	No
New York	Yes	Yes	Yes	Yes	No	Yes
North Carolina	No	No	No	No	No	No
North Dakota	Yes	Yes	No	No	No	No
Ohio	Yes	Yes	Yes	No	No	Yes
Oklahoma	Yes	Yes	No	No	No	No
Oregon	Yes	Yes	Yes	Yes	No	Yes
Pennsylvania	Yes	Yes	Yes	No	No	Yes
Rhode Island	Yes	Yes	No	Yes	No	No
South Carolina	No	No	No	No	No	No
South Dakota	Yes	Yes	No	No	No	No
Tennessee	Yes	No	No	No	No	No
Texas	Yes	No	No	No	No	No
Utah	No	No	No	No	No	No
Vermont	Yes	No	No	No	No	No
Virginia	Yes	Yes	No	No	No	No
Washington	Yes	Yes	No	No	No	No
West Virginia	Yes	Yes	No	Yes	No	No
Wisconsin	Yes	No	No	No	No	No
Wyoming	Yes	Yes	No	No	No	No

¹ California has card rooms adjoining pari-mutuel operations. These are not track operated.

² Fairgrounds and affiliates.

Source: State Racing Commissions/Bear Stearns & Co. Inc.

Off-Track Betting (OTB)

Off-track betting, or “Site-Only Simulcasting” is an entity consisting of broadcast transmissions of live races from tracks all over the world, down-linked via satellite into a non-track facility. Wagering is allowed, and facilities are structured as entertainment centers, generally offering extensive dining and beverage services.

The system was officially implemented in 1979, beginning with a broadcast from a single host track to an official OTB location.

Today, many jurisdictions have also legalized interstate wagering (ITW), allowing bettors to wager on races taking place in many states and racing jurisdictions.

OTB is, by far, the most prevalent alternative horse racing option in other states. Twenty-three states have legalized off-track facilities, including Kentucky, New York, California, Pennsylvania, and neighboring Ohio, Illinois, Indiana, and Ontario. (See Figure 2.)

Simulcasting provides an important outlet for handicappers who desire to wager on more than one race at multiple venues, thereby diversifying their risk and maximizing their chances of overall success and profitability. It also provides an important diversifying tool for racetracks, which can simultaneously broadcast races from around the world while racing is conducted live at the host track.

One of the most functional uses for OTB is that it allows states and jurisdictions to expand the presence of horse racing. The signal from tracks within the state, along with worldwide races, can be made accessible to in-state locations without race-tracks. In Michigan, for instance, OTBs in locations such as Grand Rapids, Traverse City, Kalamazoo, and the Upper Peninsula could bring races from metro Detroit and elsewhere to the population of these other Michigan areas.

In all jurisdictions, a percentage of handle and profits generated by the OTB is earmarked for local purses. This generates more revenue for the local horsemen and agricultural business, and thereby increases the quality of live racing.

States and provinces with pari-mutuel off-track wagering in North America.

Figure 2



Source: International Gaming & Wagering Business

United States

Arizona
California
Colorado
Connecticut
Illinois
Indiana
Kentucky
Louisiana

Maine
Maryland
Montana
Nevada
New Jersey
New York
North Dakota
Ohio
Oklahoma

Oregon
Pennsylvania
South Dakota
Virginia
Washington
Wyoming

Canada

Alberta
British Columbia
Manitoba
New Brunswick
Nova Scotia
Ontario
Quebec
Saskatchewan

The list above includes states and provinces where pari-mutuel off-track wagering is legal *and* operative.

Telephone/Internet Account Wagering

Telephone/internet account wagering is now a legal component of horse racing in many racing jurisdictions. (See Figure 3.)

Telephone/Internet gaming on horse racing allows patrons to wager from their homes or elsewhere via the telephone, or on-line at computers. According to a Wall Street Journal article by Thomas E. Weber, "Racing is poised to become a key testing ground for the much-heralded convergence of television, telephone and the Internet."

A published report by Bear, Stearns & Co., Inc., estimates that "Internet gambling will generate \$6.2 billion in revenues by 2003". The report continues in saying the U.S. government will not be able to collect tax revenues on this until the industry is properly regulated. Therefore, it is their position this industry will end up being regulated by the federal government.

For the time being, nine states and four Canadian provinces allow interactive wagering. Legalization offers the advantage of allowing technology to expand racing's core product, while ensuring users conform to specific legal requirements for wagering.

Even though it is not legal in all states, some Internet wagering organizations maintain the bets are actually placed at their central location, in states where it is legal. Because some Michigan residents were being allowed to participate on this basis, the Office of Racing Commissioner and the Michigan Attorney General's office have sent letters to all large Internet wagering organizations directing that no wagers be accepted from Michigan residents.

Since that time, ORC has also visited one of the country's key Internet wagering sites, aligned with the Meadows Race Track near Pittsburgh. Access to wagering is strictly controlled. Once bettors establish personal wagering "accounts," they can be accessed via telephone or computerized networks.

Although the official account process varies by state, it is generally uniform. Background checks are made on all subscribers, and access is controlled with passwords and account verifications. The account works much like a bank, with deposits made in advance of the wager and withdrawals and deposits recorded with each wager placed. The call/Internet center records wagers and places them for the bettor, thereby adding each bet to the total pari-mutuel pool.

States and provinces with telephone account wagering in North America.

Figure 3



Source: International Gaming & Wagering Business

United States

California
Connecticut
Kentucky
Louisiana
Massachusetts
Nevada
New Hampshire
New York
Ohio
Oregon
Pennsylvania

Canada

Alberta
British Columbia
Manitoba
Ontario

The list above includes states and provinces where telephone account wagering is legal *and* operative.

Slot Machines and Video Lottery Terminals

An important new phenomenon on the scene of the North American horse racing industry is the racetrack casino or “racino.” There are currently six racing jurisdictions in the United States and five provinces in Canada that have legalized on-track slot machines and/or video lottery terminals. (See Figure 4.)

Slot machines on site offer a wagering alternative to horse racing patrons. In addition to/instead of placing wagers on horse racing, patrons can wager with slot/video lottery machines at racetracks. A portion of the machine revenue is put into horse racing purses, giving a boost to amounts paid to horsemen. This stimulates additional interest in racing at the track and contributes to better quality races.

Aside from Canterbury Downs Race Track in Minnesota, which has pari-mutuel card clubs but no slots or other forms of gaming, the only other race track listed in the Forbes October 2001 list of “200 Best Small Companies in America” is Mountaineer Park in West Virginia. Mountaineer offers machine gaming and has experienced a sharp increase in both track revenue and purses. According to the West Virginia Racing Commission, however, Mountaineer’s on-track revenue from horse racing continues to decline. (See diagram.)

Many jurisdictions offering machine gaming at racetracks have little or no competition for the machine gaming dollar in close proximity to tracks. In Michigan, casino gaming is a major industry. According to the Michigan Gaming Control Board, there are 19,495 slot machines in the state. These slot machines are located at 18 Native American casinos across the state and 3 non-Native casinos in the Metro Detroit area.

With the expansion of casinos, lotteries and other forms of gambling, racetracks are in search of alternative revenue sources. The introduction of slot machines, historically viewed as competition to the racetracks, is an experimental way of achieving this goal.

Handle Comparisons Pre and Post Slots

<u>Track</u>	<u>Before Slots</u>	<u>After Slots</u>	<u>% Diff.</u>
Delaware Park, DE	1993	2000	
Daily Avg. Live	\$323,926	\$170,842	-47%
Daily Avg. Simul.	\$0	\$260,113	N/A
Daily Avg. Total	\$323,926	\$330,238	1.9%
Total Handle	\$46,321,457	\$119,876,547	
Total Days	143	363	
Dover Downs, DE	1994	2000	% Diff.
Daily Avg. Live	\$59,451	\$32,195	-45.8%
Daily Avg. Simul.	\$0	\$33,480	N/A
Daily Avg. Total	\$59,451	\$45,897	-22.8%
Total Handle	\$2,496,949	\$16,660,676	
Total Days	42	363	
Harrington Raceway, DE	1994	2000	% Diff.
Daily Avg. Live	\$31,059	\$30,008	-3.4%
Daily Avg. Simul.	\$56,783	\$41,492	-26.9%
Daily Avg. Total	\$87,842	\$48,932	-44.3%
Total Handle	\$1,844,681	\$17,762,402	
Total Days	21	363	
Mountaineer Park, WV	1989	2000	% Diff.
Daily Avg. Live	\$217,713	\$86,494	-60.20%
Daily Avg. Simul.	\$0	\$63,274	N/A
Daily Avg. Total	\$217,713	\$115,933	-47%
Total Handle	\$47,025,988	\$42,083,815	
Total Days	216	363	
Charlestown, WV	1993	2000	% Diff.
Daily Avg. Live	\$276,884	\$138,156	-50.0%
Daily Avg. Simul.	\$0	\$137,285	N/A
Daily Avg. Total	\$276,884	\$216,232	-22.0%
Total Handle	\$53,715,419	\$78,708,289	
Total Days	194	364	

Daily Avg. Live: Wagers placed at the track on live racing divided by live racing days

Daily Avg. Simulcast: Wagers placed on races simulcast from other sites divided by total days

Daily Avg. Total: Total wagers placed for year divided by total days track open for wagering

Source: State Racing Commissions

States and Provinces with slot machines and/or video lottery terminals at pari-mutuel racetracks in North America.

Figure 4



Source: International Gaming & Wagering Business

United States

Delaware
Iowa
Louisiana
New Mexico
New York
Oregon
West Virginia

Canada

Alberta
Manitoba
Ontario
Quebec
Saskatchewan

The list above includes states and provinces where pari-mutuel off-track wagering is legal *and* operative.

Card Rooms

There are currently three racing jurisdictions that have legalized pari-mutuel card rooms. (See figure 5.) Of the three jurisdictions, Florida, California and Minnesota, allowing card rooms or card clubs (poker), Florida is the only one statutorily limited to offering “low stakes” poker. Only one harness track in the state and greyhound (dog) tracks or jai-alai facilities are allowed card rooms on site, and the table or “pot” maximum is limited to \$10.00. According to Dan Adkins, who has oversight responsibility for both Michigan’s Hazel Park Raceway, and Hollywood (Florida) Greyhound track, which offers poker, the game is popular with retirees, but because of the low table limit, does not generate significant increases in revenue for the track.

In California, card games are offered at only one track, Hollywood Park Raceway, a Thoroughbred facility. The “Casino” section of the track, however, is leased out and is not operated by the horse track. Two types of card games are offered, both poker and “California Blackjack.”

The card rooms are operated as an independent casino and no revenue goes into horse racing purses or activities. However, according to Hollywood Park General Manager, Eual Wyatt, even though the track does not benefit from the card room revenue, their presence has significantly benefited the track’s business.

“There’s a great deal of synergy between buildings and patrons,” says Wyatt, who sees a clear crossover of card patrons to the race track. The card rooms have been aligned with the track since 1994. Wyatt feels their influence on bottom-line racing business has been very positive.

The most recent location to acquire a legislative go-ahead for card rooms is Minnesota. Canterbury Downs race track opened a pari-mutuel card room in May of 2000. Its success is already legendary. By the first quarter of 2001, Canterbury’s earnings had increased by 300%. According to Canterbury’s president, Randall Sampson, the track’s card activities have also contributed to a substantive increase in simulcast (horse race) wagering.

In October of 2001, Canterbury Downs was recognized by Forbes Magazine, with inclusion to the Forbes 200 list of “Best Small Companies in America”. Horse racing is currently showing an average 54% increase in earnings, with card rooms driving the profit.

As mandated by the Minnesota state legislature, a percentage of the Card Club’s profit goes into purses, which have been steadily increasing. Consequently, the horse races and environment have been improving. One track financial employee told us there’s been a huge “resurgence of interest” in spending a day at the track. The race track is now hosting young couples, families, traditional racing fans, and a regular influx of shift workers.

Card Rooms continued

Canterbury runs Thoroughbred and Quarter Horse racing, and has recently begun to offer limited harness racing. The legislature imposed a "\$60 per person, per bet" wagering limit at the tables. With those parameters in place, table limits or "pots" can reach as high as \$8100. The card facility is housed within the track, and in October of 2001 became a non-smoking environment, with no change in business.

One interesting aspect to Canterbury's success is its close proximity to other gaming. A major Native American gaming complex, consisting of several casino buildings, restaurants, and a hotel, is just three miles from the race track. As with the Detroit casinos and many of Michigan's tribal casinos, the Minnesota tribal complex offers several types of gaming, including blackjack, but does not offer poker.

States and provinces with card rooms at pari-mutuel racetracks in North America.

Figure 5



Source: International Gaming & Wagering Business

United States

California

Florida

Minnesota

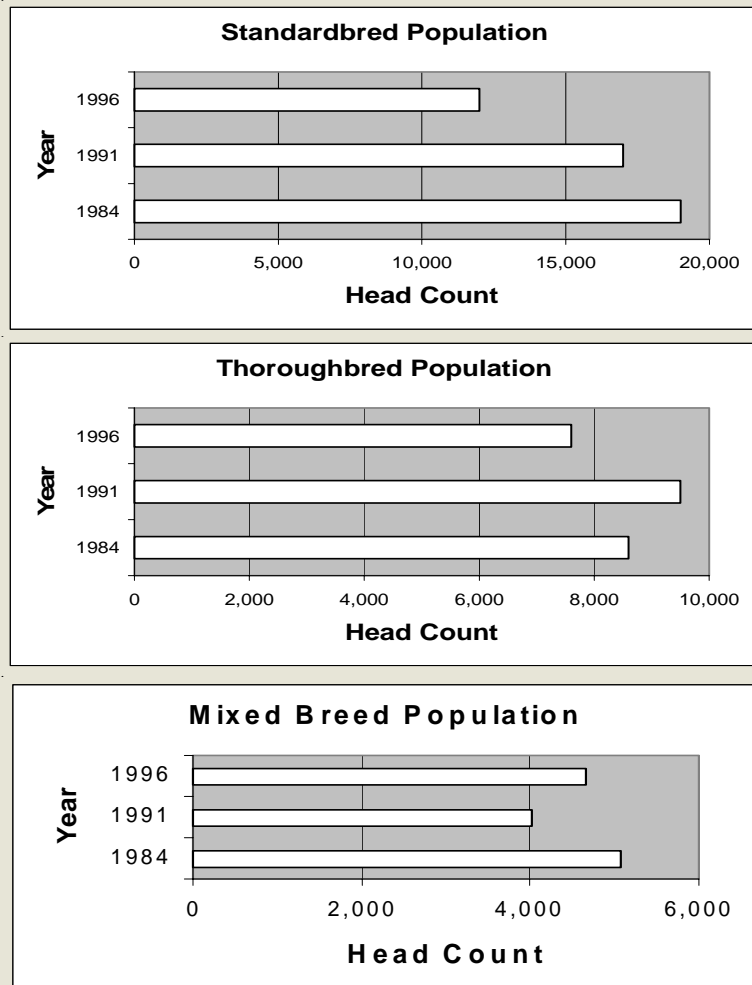
The list above includes states and provinces where card rooms at pari-mutuel racetracks are legal *and* operative.

Equine Population

Horses are a multimillion dollar business in Michigan. From race track owners to breeding facilities to farmers, the equine industry makes major contributions to the state's economy.

Despite this, there have been no organized methods for tracking the equine population in the past five years. The most recent study was the Michigan Equine Monitoring System, or MEMS, in 1996. The MEMS program was a cooperative effort conducted by veterinarians and animal scientists from MSU's College of Veterinary Medicine, the College of Agriculture and Natural Resources, the Michigan Department of Agriculture, and the U.S. Department of Agriculture.

According to the MEMS survey of 1996, the inventory of equine in Michigan as of June 1, 1996, 130,000 head, was unchanged from 5 years earlier. While the total number was steady, there were substantial changes in counts by breed. The number of Standardbreds and Thoroughbreds fell by 30 and 20 percent, respectively.



Source: 1984 - Michigan Agricultural Statistical Service (MASS)
1991 - MASS and MEMS
1996 - MEMS

Farmland Preservation

Agriculture is the second largest industry in the state and the horse racing industry plays an important role in the entire agricultural subsector. It is a source of agri-tourism and agribusiness¹.

As a vital component of the state's economy, the horse racing industry is responsible for an estimated 84,000 acres of farmland. This land is primarily used for racetrack training facilities, breeding and training operations, and land dedicated to feeding horses.

In many of the rural areas of our state, supplying the needs of race horses represents much of the local economy, and helps support and preserve the rural character of smaller communities. Farmers grow and sell the feed required by our state's race horse population and grain elevator operators make sure that feed is available year-round.



A foal and mare running across a meadow in southern Michigan

¹Senate Agricultural Preservation Task Force - September 1999

Bear Stearns Publishes an Investors Guide to the Pari-Mutuel Horseracing Industry

Contrary to the general belief that the horseracing industry is on the decline, significant growth opportunities still lie ahead, according to a new comprehensive report by Bear Stearns gaming and leisure analyst Marc Falcone. New media opportunities and industry consolidation will allow horse racing to solidify and expand its customer base in the future. "There is a common misconception that the horse racing industry is headed for extinction, but we believe changes are underway that will drive real growth," commented Falcone, a Bear Stearns vice president. The report was released at the University of Arizona Racetrack Industry Symposium in Tucson in December 2000.

A High Tech Boost

According to the investment study, advances in new media present tremendous opportunities for the horse racing industry. Internet betting, interactive television and improved simulcasting should help to convert the industry's estimated 25 million marginal fans into loyal pari-mutuel customers. In addition, this new technology should bring other fans who do not currently follow horseracing into the sport. According to the analysis, this extra business will provide significant revenue to the horseracing industry at a relatively small cost. "As a result of these advances it will become less and less important to draw huge crowds at the track," said Falcone. "The industry is finding other ways it can become popular and profitable without having to put bodies in the stands."

Consolidation Leads to Higher Quality

While attendance numbers at many tracks throughout the country have been declining, major stakes races have enjoyed a healthy growth rate since 1995. The interest in well-branded high quality races is further evidence that the sport is still popular. Bear Stearns predicts consolidation will eventually weed out many of the smaller and less profitable tracks, resulting in a select group of healthy tracks which will drive industry growth. "While it may seem counterintuitive, the industry should benefit from fewer tracks and races," said Falcone. "The quality and fan interest will be greater, and with new media technologies the industry will actually wind up reaching more bettors."

The Full Report

The 126-page Bear Stearns report is one of the most comprehensive investment pieces ever compiled on the horseracing industry. The report examines the history of horseracing, the current make-up of the industry, and the future of the sport. In addition, the analysis examines several publicly traded companies that exist in the industry, including Churchill Downs, Inc. (CHDN) and Magna Entertainment Corp. (MIEC).

This report was produced in accordance with Section 903 of Senate Bill No. 230 of the Public Acts of 2001 which states:

“The office of racing commissioner, in cooperation with representatives of the racing industry, shall prepare a report on the competitiveness of the industry in comparison to other jurisdictions.”

For the purposes of this report, jurisdictions were defined as all 50 states in the U.S. and all of the provinces of Canada.

Glossary

Breakage: Also known as “dime breakage,” it is the amount that is subtracted from wager payout calculations when they are rounded down to the nearest dime. For example, if a winning bet is computed to pay \$3.11, the bettor receives \$3.10 and the \$.01 in breakage is distributed to cities/townships in which the track is located.

Bred: A horse is considered to have been bred in the state or country where it was foaled or born. For example, *Secretariat* was a Virginia-bred because he was foaled there.

Colt: An ungelded male Thoroughbred horse that is four years old or younger *or* an ungelded male Standardbred that is three years old or younger .

Dam: The female parent of a foal.

Derby: A stakes event for three-year-olds.

Driver: The driver of a sulky behind a Standardbred horse during a harness race.

Filly: A female horse that is four years old or younger.

Foal: A horse in its first year of life.

Furlong: A distance equal to one-eighth of a mile.

Gelding: A male horse of any age that has been neutered.

Groom: The person who cares for race horses prior to racing.

Handicap: To make educated wagering selections based on past performances.

Horsemen: Those involved with owning, training, and racing a horse.

Intertrack Wagering (ITW): The development of wagering platforms in between tracks. While a number of states have legalized interstate ITW, some have only legalized intrastate ITW. This wagering system is mostly enabled by simulcasting.

Jockey: The rider of a Thoroughbred or Mixed breed horse during a race.

Mare: A female Thoroughbred horse that is at least five years old *or* a female Standardbred that is at least four years old.

Mixed Breed Racing: In Michigan, mixed breed racing includes Quarter Horse, Arabian, Appaloosa and American Paint races on the same program.

Glossary continued

Off-Track Betting (OTB): Simulcasting or distribution of live horse races over a network of television screens placed in off-track betting establishments (OTBs).

Outs: Funds from outstanding uncashed winning tickets. After 60 days of the conclusion of the race meeting, the race meeting licensee retains 50% of the remaining outs funds and the other 50% goes to the Michigan Agriculture Equine Industry Development Fund.

Pari-Mutuel: A wager that originated in Paris, in which odds are determined by the total betting pool, called the mutuel pool. In this wagering system, bettors wager against themselves, rather than the “house.”

Purse: An amount of money distributed to winning horses. Purse funds come from different sources, depending on the type of race.

Quarter Horse: A breed of horse that is used mainly for ranching and very short sprint races.

Simulcast: The simultaneous broadcast of horse races to multiple locations.

Sire: The male parent of a foal.

Standardbred: A horse of American breed developed for trotting or pacing in harness racing.

Stewards: Officials of the race meeting responsible for enforcing the rules of racing.

Takeout: The amount of money deducted from the pari-mutuel pool, portions of which are divided among horsemen, the tracks, and purses.

Thoroughbred: A versatile breed of horse that runs short and long distances. The Thoroughbred lineage traces back to any of the three founding sires.

Triple Crown. Winning all three of the major stakes races of the Kentucky Derby at Churchill Downs, the Preakness at Pimlico, and the Belmont Stakes at Belmont.

Wagering Handle: The amount of money bet on a particular race.

Yearling: A horse in its second calendar year of life, beginning January 1 of the year following its birth.